

**CITY OF SEBASTOPOL
CITY COUNCIL
AGENDA ITEM**

Meeting Date: November 21, 2023
To: Honorable Mayor and City Councilmembers
From: City Administration
Subject: Resolution Declaring a Fiscal Emergency
Recommendation: That the City Council approve the Resolution of Declaration of Fiscal Emergency
Funding: Currently Budgeted: ☐ Yes ☐ No ☒ Not Applicable

Account Code: [Fill in Account Number]

Costs authorized in City Approved Budget: ☐ Yes (Finance Initialed _____) ☒ No (Finance Exempt)

INTRODUCTION/PURPOSE:

The item is to request Council Consider and approve the Resolution of Declaration of Fiscal Emergency.

BACKGROUND:

At the November 14, 2023 Special City Council Meeting, the Council discussed the different types of measures that could be considered at the March 2024 Election as well as discussion of a Fiscal Emergency and whether or not to place a ballot measure on the March 2024 Election. As stated at the Council meeting, the City Manager/City Attorney described the definition of a fiscal emergency which came out of a court case that discussed a fiscal emergency. The case was all about the use made of that afterward. But in the court doing its analysis, they went through the elements of what needs to be in, what facts need to exist in order for city council to make a declaration of emergency.

- Number one. The council needs to determine if there is an actual emergency. That is to say something was at a high level emergency that requires taking care of something to know about. In other words, an actual emergency.
- Number two. You need to show if the city has taken reasonable steps to address the problem prior to invoking its emergency. So that part of the declaration that you might be voting on, for example, would show the efforts of the budget committee and what they did to have department heads reduce the budget considerably so that there would be less expenses. If you're going to take action based on that, you need to have the linkage between the emergency you are dealing with and the action you take such as renegotiating employee contracts and the like. That is one type of action that cities have done before when they declare a fiscal emergency. Another one would be a subsequent action to place a sales tax measure on the ballot. That is another action that you take for these connected to the elements that made up the emergency in your declaration.
- Number three. You have to consider any alternates to declaring an emergency. Meaning there is some other way to reverse the budget short of declaring an emergency.

It is a declaration that the city's financial condition is worsening to the point of emergency. The City expects growing annual deficits as the cost of doing business is greater than the revenues coming into the City.

DISCUSSION:

After much discussion, the City Council on a vote of 3-2 as listed below, directed staff to prepare a Resolution of Declaration of Fiscal Emergency. This resolution does not call for a special election, but is general in nature, and the declaration alone can be used to highlight to the community the economic straits the city is facing.

Ayes: Councilmember Zollman, Vice Mayor Rich and Mayor Hinton

Noes: Councilmembers Maurer and McLewis

Outside legal counsel will be in attendance at this meeting as well.

ENVIRONMENTAL REVIEW:

The proposed action is ☒ Not a project under CEQA ☐ Not exempt ☐ Exempt under Section _____ from the requirements of the California Environmental Quality Act (CEQA).

GOALS:

This action supports the following City Council Goals and General Plan Actions:

Goal 1 – Maintain the long term financial stability and sustainability of the City of Sebastopol and Operate City government in a responsive manner.

1.1 Develop and Implement Sound Financial Management Policies and Procedures
Economic Vitality (EV)

Goal EV7: Maintain a stable and self-sustaining fiscal base in order to generate the resources necessary to provide desired city services and support new growth that is consistent with the City's values and goals

PUBLIC COMMENT:

As of the writing of this staff report, the City has not received any public comment. However, staff anticipates receiving public comment from interested parties following the publication and distribution of this staff report. Such comments will be provided to the City Council as supplemental materials before or at the meeting. In addition, public comments may be offered during the public comment portion of the agenda item.

PUBLIC NOTICE:

This item was noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to this special meeting.

FISCAL IMPACT:

No fiscal impact at this time in approving the Resolution.

RECOMMENDATION:

Staff recommends the Sebastopol City Council Consider and Approve the Resolution of Declaration of Fiscal Emergency

Attachments:

Proposed Resolution – Declaration of Fiscal Emergency

A Resolution of the City Council of the City of Sebastopol Declaring a Fiscal Emergency Declaring a Lack of Funds for Key Essential Services Provided for the Benefit of our Citizens and Community at Large

WHEREAS, like many other cities, the City has undergone a financial crisis due to the economic downturn, takeaways by the state and inability of revenues to keep pace with expenditures; and

WHEREAS, in the Fiscal Year 2024-24 Budget review, staff identified a nearly \$1.67 million structural deficit; and

WHEREAS, the City has historically worked diligently to make all possible cuts to its budget; and

WHEREAS, the City has evaluated the impacts of financial constraints on the City's ability to provide vital services to the public, including evaluation and implementation of measures to reduce costs, as well as measures to increase revenue; and

WHEREAS, the pavement of a majority of the City's streets is in fair to very poor condition according to the City's 2023 Pavement Management Report, and it will cost the City approximately \$7.13 million to improve the pavement condition to meet minimum standards in the next 5 years as well as the city does not have the funding to undertake such work for Capital Improvement Projects that in the current FY budget was estimated at a total of \$30.3 million dollars over the next 5 years; and

WHEREAS, because operating costs continue to outpace City revenues and as shown in the table below which is a condensed financial forecast through fiscal year 29-30 and is a dire picture of the City's finances if no new revenue streams are in place. The City's current FY23-24 budget has a deficit of \$1.68M in a total budget of \$12.5M.

	Adopted FY23-24	FY24-25	FY25-26	FY26-27	FY27-28	FY28-29	FY29-30
Est End of Year Reserve	\$ 3,441,264	\$ 1,973,608	\$ 406,221	\$ (1,335,766)	\$ (3,259,515)	\$ (5,603,554)	\$ (8,182,857)
Reserve Level	27.4%	15.8%	3.2%	-10.1%	-23.9%	-39.2%	-55.4%

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEABSTOPOL AS FOLLOWS:

FISCAL EMERGENCY. Pursuant to California Constitution, Article XIII C, Section 2(b), the City Council, by a unanimous vote, hereby declares the existence of an emergency in that there are imminent financial risks and dangers, as described above, to the public welfare and the City's financial ability to provide municipal services at current levels and without disruption. The Council finds that unless it takes urgent action, the City will lack the necessary funding for key essential services provide for the benefit of our citizens such as: CalPERS liabilities; Capital Improvement Projects; Infrastructure Needs; emergency services and other necessary expenditures over the next several years, including but to limited to: replacements to the City's vehicle fleet and building upgrades; technology replacements and upgrades; and personnel; and accordingly, the City Council hereby declares an emergency pursuant to the California Constitution, article XIII C, section 2, subdivision (b). CEQA. The adoption of this Resolution is exempt from the California Environmental Quality Act (Public Resources Code §§ 21000 et seq. ("CEQA") and 14 Cal. Code Reg. §§ 15000 et seq. ("CEQA Guidelines").

CERTIFICATION. The City Clerk of the City of Sebastopol shall certify to the passage and adoption of this resolution and its approval by the City Council and shall cause the same to be listed in the records of the City.

SEVERABILITY. If any section, subsection, sentence, clause, phrase or portion of this Resolution or its application to any person or circumstance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Resolution or its application to other persons and circumstances. The City Council of the City of Sebastopol hereby declares that it would have adopted this Resolution and each section, subsection, sentence, clause, phrase or portion thereof irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases, or portions be declared invalid or unconstitutional and, to that end, the provisions hereof are hereby declared to be severable.

EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption by a unanimous vote.

PASSED AND ADOPTED, by the CITY COUNCIL of THE CITY OF SEBASTOPOL, COUNTY OF SONOMA, of STATE OF CALIFORNIA on this 21st day of November, 2023.

I, the undersigned, hereby certify that the foregoing Resolution was duly adopted by City of Sebastopol City Council following a roll call vote:

VOTE:

Ayes:

Noes:

Absent:

Abstain:

Approved: _____

Mayor Neysa Hinton

Attest: _____

Mary Gourley, MMC, Assistant City Manager / City Clerk

Approved as to Form: _____

Larry McLaughlin, City Attorney